



**CITY OF SCOTTSDALE
TOURISM DEVELOPMENT COMMISSION
REGULAR MEETING**

Tuesday, October 15, 2019

**Kiva Forum – City Hall
3939 N. Drinkwater Boulevard
Scottsdale, Arizona 85251
DRAFT MINUTES**

PRESENT: Linda Dillenbeck, Chairperson
Camille Hill, Vice Chair
Jeanne Alspaugh
Sherry Henry
Ken McKenzie
Richard Newman
David Winter

STAFF: Steve Geiogamah
Ana Lia Johnson
Brian Dygert

GUESTS: Andy Myers, International Off-Road Expo
Anna Blount, Longwoods International

1. Call to Order/Roll Call

Chair Dillenbeck called the meeting of the Scottsdale Tourism Development Commission to order at 8:00 a.m., and noted the presence of a quorum. She recognized the award received by Canal Convergence as the winner of the IFEA Gold Grant Pinnacle award, which recognizes the best festivals from around the world.

2. Approval of Minutes

- August 20, 2019 Regular Meeting Minutes
- September 17, 2019 Work Study Minutes

Chair Dillenbeck called for comments and/or changes. There were none.

COMMISSIONER ALSPAUGH MOVED TO APPROVE THE REGULAR MEETING MINUTES OF THE TOURISM DEVELOPMENT COMMISSION OF AUGUST 20, 2019 AND THE WORK STUDY MINUTES OF SEPTEMBER 17, 2019 AS PRESENTED. COMMISSIONER HENRY SECONDED THE MOTION, WHICH CARRIED 7-0 WITH CHAIR DILLENBECK, VICE CHAIR HILL, COMMISSIONERS ALSPAUGH, HENRY, MCKENZIE, NEWMAN AND WINTER VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

3. TDC Work Study Follow-Up

Steve Geiogamah, Tourism Development Manager, referenced the summary provided to Commissioners in the packets. The consensus statement developed during the work study was quoted as follows:

As a whole, balance and diversity of events must remain and Experience Scottsdale does a great job to stay competitive and address our challenges, but adjustments could be made as to how the budget is allocated by looking at one-time events, community focused events or by providing rewards for events occurring off-season. In addition, evaluations on sponsorships or the use of charitable donations could also be reviewed.

Next steps include:

- Staff will continue to monitor tourism special revenue funds between actual and potential capital projects to maintain appropriate funds for annual expenses.
- Staff will further research events that fit tourism program objectives and generate room nights.
- Staff will work the TDC to discuss possible event support funding modifications for FY 2020/21.
- Staff will evaluate projects to maintain the character, uniqueness, and attractiveness of the City as a destination.

Chair Dillenbeck asked about the process to take place if the Commission chooses to change funding amounts or categories. Mr. Geiogamah stated that the Commission is free to take this up at one of the upcoming meetings. This process generally begins in January and February. Changes to the three application programs would need to be presented to City Council.

In response to a question from Vice Chair Hill, Mr. Geiogamah stated he would estimate the length of process at two to three months.

4. 2022 Federation Equestre International (FEI) World Championships

Brian Dygert, Westworld General Manager, stated that WestWorld has been working on the bid proposal for almost a year. They will return to the Commission following additional steps in the process. Founded in 1921, FEI is the international governing body of equestrian sports, working under the International Olympic Committee. They are based

in Switzerland. The United States is one of 134 national federations (United States Equestrian Federation, based in Lexington, Kentucky). FEI governs eight disciplines in equestrian sports, three being Olympic. The games have been held with all disciplines together for the past 20 years. This is the first bid proposal where they have solicited for partial game components, which is discipline-independent. The last World Games were held last fall in North Carolina. They have only been in North America twice.

The FEI has solicited for partial game bids starting in 2022. WestWorld is bidding for two disciplines: vaulting and reining. The proposal would have WestWorld owning and producing the world championships for those two disciplines. It is a two-week international event from August 21, 2022 through September 4th, 2022. There is a host agreement deadline next Monday. The host agreement will then be turned over to the general assembly. The general assembly of the FEI will be meeting in Moscow in November. They will make final decisions on the 2022 games. The U.S. is one of ten countries with an active bid in, and WestWorld is the only U.S. venue in the current bid solicitation. The production budget for the two disciplines is \$1.97 million. This includes \$800,000 of TDC funding. They will return to the Commission with a formal request.

In response to a question from Chair Dillenbeck, Mr. Dygert confirmed that the bid is contingent upon having both events. WestWorld's interest is to have an event off season. Both events can be held indoors.

Chair Dillenbeck asked about expectations in terms of visitors, hotel rooms and attendees. Mr. Dygert said the economic impact and numbers are all derived from past data and include all seven or eight disciplines. Apportioned championships have not been done yet. There would be 1,500 to 2,000 athletes and team members. There are 15 to 20 teams per discipline. The target would be for 3,000 attendees per day for eight days. Most would be out of town visitors who follow the disciplines. In terms of the local front, the plan is to offer added incentives of activities.

Commissioner Henry asked if the requested \$800,000 is a one-time payment or whether it could be in the form of several payments over a couple of years. Mr. Dygert said it is a one-time funding request. If the TDC would choose to fund over two to three years, this would be acceptable. WestWorld will have 12 months prior to the event opening for advertising and promotion, during which time seed funding will be needed.

Vice Chair Hill commented that this is the most perfect fit she has seen come to WestWorld of all the events proposed. She asked whether this could provide a foothold to attracting similar events in the future. Mr. Dygert said the response is an absolute yes.

Vice Chair Hill asked about the source of the remaining funding. Mr. Dygert said it will come from the revenue driven by the event itself. This includes entry fees, tickets, sponsorship, food and beverage.

Chair Dillenbeck asked about television coverage. Mr. Dygert said there will be television coverage. WestWorld will have to provide a broadcasting entity onsite with up to seven cameras and two signals. FEI has broadcasting rights through Europe and the Middle East. The U.S. market is yet to be determined.

In response to a question from Vice Chair Hill, Mr. Dygert confirmed that all the needed major capital infrastructure exists at WestWorld. The technological infrastructure is being put in place currently, including fiber installation to facilitate television coverage. Other miscellaneous items such as a sports board, AV screens, which have historically been leased may be able to be purchased with the revenues generated from the event for future use.

Commissioner Alspaugh stated that as an equestrian, she is thrilled about the event. The two proposed events are a perfect fit for the Valley.

Commissioner McKenzie inquired as to the proposed funding methodology. Mr. Geiogamah said a couple of options are available for Commission review. Approximately \$340,000 is available in Event Development this fiscal year. The ending balance projected at the end of the year is \$6.1 million. If it is spread out possibly over two years, it could come from either source.

Commissioner Winter commented that it is a great event, however \$800,000 is a significant amount, especially considering the economic impact of the Super Bowl. He would appreciate receiving more information on the ROI from previous events. Mr. Dygert acknowledged the significance of the request. Data from past FEI events is readily available. It is important to note that hurricanes on the East coast greatly impacted revenues during previous events.

Commissioner Winter inquired as to anticipated room nights. Mr. Dygert stated that he would be able to extrapolate estimates and provide them after the meeting.

5. International Off-Road Expo New Event Funding Request

Mr. Geiogamah stated that Company of the Americas, the owners and organizers of the event, are eligible to request up to \$37,500, based on the requirement that the TDC can only fund up to 30 percent of their budget. Last year, the event received \$54,000 and was contract compliant. General attendance levels are between 8,000 and 10,000 with 12,000 anticipated this year.

Andy Myers, International Off-Road Expo, stated that this will be the fifth year for the event. He played a brief video of the event commercial. The video is produced in English and Spanish and is being shown on social media outlets, including in Northern Mexico. The videos have received 1.1 million views to date.

In terms of vendors at the show, they began with 51 in 2017, 60 in 2018 and are at 70 for 2019. Surveys to collect demographic data are conducted onsite. Participation in the surveys is boosted via daily giveaways and raffles. The average income level for attendees is over \$70,000; 41 percent are millennials. The returning core audience is 76 percent. He provided a review of promotional items, which included billboard, bus shelters, print media, social media and radio.

In terms of room nights, if each of the 60 out of state vendors brought four employees, that equals 240 individuals at two per room, totaling 120 rooms. For consumers, based on the survey, 23 percent are registered out of state with an estimate 1,081 rooms.

Vice Chair Hill asked whether they have considered partnering with a marketing agency. Mr. Myers stated that he is his own marketing agency essentially, having developed relationships with Sonora, Mexico, the state of Baja, Scottsdale and Payson, Arizona.

In response to a question from Commissioner Henry, Mr. Myers said there is no limit on how many attendees the event can handle.

Mr. Geiogamah noted that this will be the final year the event is eligible for New Event development under the current criteria. Funding has decreased for the event each year while the event has continued to increase its value. Chair Dillenbeck commented that the event has accomplished what is intended. They are given seed money, run a successful event and require less and less funding over time.

COMMISSIONER MCKENZIE MOVED TO RECOMMEND FUNDING IN THE AMOUNT OF \$37,500. COMMISSIONER HENRY SECONDED THE MOTION, WHICH CARRIED 7-0 WITH CHAIR DILLENBECK, VICE CHAIR HILL, COMMISSIONERS ALSPAUGH, HENRY, MCKENZIE, NEWMAN AND WINTER VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

6. Travel USA 2018 & Return to Sample Report

Mr. Geiogamah stated that this will be the sixth year with Longwoods International. The return to sample report is a new element added this year. The data assists in developing economic reports.

Anna Blount, Longwoods International, said that Longwoods International is the longest running domestic travel of Americans study and is a nationally representative sample. For 2018, there were over 325,000 trips in the system. Of those, 1,101 are for Scottsdale. She discussed current travel trends. Estimated overnight domestic trips for Americans have increased from 1.48 billion in 2013 to 1.65 billion in 2018. For each year, there has been an increase in trips between 1 and 3 percent. In terms of the money spent between 2017 and 2018, there is a growth of 3 percent. This is an indication that overall, travelers are spending a bit more money on vacations. It is not felt that there will be a downturn in domestic travel for 2019 or 2020. Active travelers are considered to be those who have taken at least one overnight trip in the last three months. That percentage currently sits at 60 percent, compared with 51 percent in 2013.

For Scottsdale as a destination specifically, there were estimated to be 9.1 million trips in 2018, including overnights and days. There is a relatively even split between overnight and day visits. Overnight trips totaled 4.6 million, up 2.2 percent. Day trips totaled 4.4 million, up 2.0 percent.

Chair Dillenbeck asked for the definition of day trip. Ms. Blount stated that it is considered to be someone who lives at least 50 miles from Scottsdale, who is making a trip to the City, but who does not stay overnight. Road trips traveling through Scottsdale are also considered as a day trip.

Ms. Blount reported that overnight expenditures in Scottsdale grew 6.4 percent from last year, more than doubling the U.S. median percent of 3 percent. The top spending categories are lodging, transportation at the destination and restaurant food and beverage.

She provided an average per-person expenditure on domestic overnight trips as follows:

- \$120: Lodging (this includes those staying with friends and family in Scottsdale)
- \$79: Restaurant, food and beverage
- \$36: Retail purchases
- \$32: Recreation & sightseeing

The total day trips annual expenditure was \$314 billion, representing an increase of 5.4 percent and above the national average.

In terms of Scottsdale overnight trip characteristics, marketable trips are those where marketing can influence the choice of destination. The category of visiting friends/relatives is overrepresented in the Scottsdale market compared to the U.S. norm with 50 percent of overnight trips being to visit friends and relatives. This compares with 41 percent for the U.S. average. This category is not considered a directly marketable leisure trip.

For the category of state origin for overnight trips, leading markets are California, Arizona and Illinois. Top cities of origin include Los Angeles, Phoenix, Chicago, and Denver. The seasonality of trips is fairly equal, however there is a higher representation of overnight trips from January through March, compared to other quarters. The average planning cycle for a Scottsdale overnight trip is approximately 89 days in advance. The U.S. norm is 88 days. It is notable that 30 percent of overnight trips to Scottsdale planning involved one month or less and for 12 percent, there was no advance planning.

In terms of transportation, more trips to Scottsdale (compared with the U.S. norm) involved a personal vehicle. Of trips that included overnight stays in Scottsdale, the average trip length was 5.6 days, significantly longer than the U.S. average of 3.8 days. Of the 5.6 days, two-thirds of the time was spent in the Scottsdale destination. Twenty-seven percent of overnight trips to Scottsdale involved single travelers. Among trips that involved family members, the most prevalent combination was spouses and children, including adult children. Fifty-two percent used their own vehicle and 31 percent used a rental vehicle. For 50 percent of travelers, the main purpose was to visit friends and relatives. Of these, 29 percent actually stayed with friends and relatives. The remainder stayed at other paid hotel, motel or other accommodation type. The most popular accommodations are resort hotels, friends and relatives, followed by other hotel.

For activities and experiences, the number one category was shopping at 40 percent. The U.S. norm is 30 percent. Other categories included dining, bar/nightclub, landmark/historic sites, swimming and others. Overall, the data show that when people visit Scottsdale, they are doing a large variety of activities.

In terms survey participant demographics, there is an even split between gender. Average age is 48. The U.S. norm is 46.1. Statistics on marital status is on par with the U.S. norm. Average household income for overnight travelers is \$82,000. The U.S. norm is \$74,000. College graduates are overrepresented, which speaks to multiple points of interest, including historic landmarks.

In terms of RTS statistics, 71 percent responded positively to the category, "A place I'd really enjoy visiting," 83 percent plan to visit again. For overall satisfaction of their trip, 91 percent stated they were satisfied, 68 percent were very satisfied. No one in the survey responded that they did not feel safe in the destination. Ninety-seven percent responded that they felt extremely, very or pretty safe in Scottsdale. Ninety-five percent indicated they would recommend Scottsdale to someone else, with 64 percent indicating they would definitely be recommending Scottsdale. Eight-four percent indicated that Scottsdale was their primary trip destination. Other popular sites were Sedona, Grand Canyon and Tucson. Only 19 percent stated they purchased tickets or made reservations for an activity, event or concert before arriving in Scottsdale. Popular attractions included Downtown Scottsdale, Downtown art galleries and Spring Training. Downtown Scottsdale garnered 61 percent visitation and was by far the top attraction. Fifty-three percent of visitors walked around Old Town Scottsdale during their trip and 88 percent said that navigating the area was easy. Thirteen percent reported going to a Visit Scottsdale visitor information center or kiosk.

In response to a question from Chair Dillenbeck, Ms. Blount stated that approximately 450 trips were represented in the returning survey.

7. Event Funding Program Recommendations

- a. Greater Phoenix Jewish Film Festival - \$17,500
- b. Sun Circuit Horse Show - \$25,000
- c. Soccer Club del Sol - \$5,000
- d. Hashknife Pony Express - \$14,000

Mr. Geiogamah stated that the Greater Phoenix Jewish Film Festival is a returning event to the program. Soccer Club del Sol is a venue fee applicant. Hashknife Pony Express had originally requested \$19,000, however staff recommends \$14,000. The event has allocated \$5,000 toward lodging. He has as yet not been able to identify what property this pertains to. The producer just last night said they received a proposal from the Saguaro Resort Hotel, however no contract has been put in place. The Commission is free to fund at \$14,000 or \$19,000, based on the Scottsdale lodging confirming.

In response to a question from Chair Dillenbeck, Mr. Geiogamah stated his understanding that none of the events are receiving other City funding.

Chair Dillenbeck invited discussion on Hashknife. Mr. Geiogamah stated that he will continue to work with the producer and if they do not produce a Scottsdale property, he will reduce the amount to \$14,000. Chair Dillenbeck opined that TDC funds should not be used to pay for hotel rooms.

Vice Chair Hill suggested approval at \$14,000 with the stipulation that they do stay in a Scottsdale hotel. Mr. Geiogamah said this would be somewhat problematic in terms of requiring staff to tell the producer where it must stay.

COMMISSIONER MCKENZIE MOVED TO RECOMMEND FUNDING AS PRESENTED. COMMISSIONER HENRY SECONDED THE MOTION, WHICH CARRIED 7-0 WITH CHAIR DILLENBECK, VICE CHAIR HILL, COMMISSIONERS ALSPAUGH, HENRY,

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In response to a request for clarification from Mr. Geiogamah, it was clarified that this includes \$14,000 for Hashknife.

8. Staff Reports

- a. Staff Bed Tax Collection Report**
- b. Staff Bed Tax Hotel Classification Report**
- c. Bed Tax Proforma**
- d. Program Updates**

Mr. Geiogamah reported that July bed tax collections were up 18 percent and 15 percent year to date. Miscellaneous retail tax collections were up 37 percent and restaurant was up 22 percent. The restaurant total is cash allocations received and could include late payments received. The July year to date hotel classification report has resorts basically flat, but slightly up at 0.5 percent. Full service properties are down 18 percent. Limited is up 6.7 percent. Other transient non-hotel is up 44.3 percent year to date. In terms of accounting, they are starting to receive a fair comparison.

Ana Lia Johnson said there have been proforma formatting changes. They are using FY 19/20 through 23/24 as a working forecast. The beginning fund balance for 19/20 has been updated. For revenues, they have not changed the forecast for 19/20. Total expenses are \$23.7 million. They mimic the five-year plan and follow 21A. As such, expenses include 50 percent for destination marketing, 12 percent General Fund allocation, 9 percent for events and event development.

Events and event development are broken down into the following categories:

- Multi-Year event funding agreements
- One year event funding agreements
- Event funding programs

Undesignated, uncommitted funds total \$370,988 for 19/20. These are available for allocation to any subcategory. In response to a question from Chair Dillenbeck, Ms. Johnson clarified that the \$370,988 does not include the \$145,000 unallocated from one-year event funding.

Ms. Johnson continued, noting that 4 percent of the budget is allocated to administration and research, which includes the WestWorld marketing fee for 19/20. The next expenditure category, formerly called carry-over uses and renamed as, "Other commitments," is separated into two categories: Multi-year commitments for capital projects and other uses. Other uses includes, trolley expenses, donation match for Museum of the West, Canal Convergence, rentals for special events and promotion of Downtown.

The report includes an additional calculation, "revenue over/under expenses," which calculates revenues minus expenses. This amount anticipates use of \$144,000 more than what is anticipated to be projected for 19/20. In response to a question from Vice Chair

Hill, Ms. Johnson confirmed that these figures do not include the Super Bowl. Ms. Johnson added that the ending fund balance is \$6.1 million.

In response to a question from Chair Dillenbeck, Ms. Johnson stated that the numbers include the true-up from last year.

Chair Dillenbeck noted that the Princess lease money is supposed to go into the "other commitments" category. Ms. Johnson confirmed that the expenses are listed in this category.

Chair Dillenbeck commented that this year, they are overspending by \$143,000. Next year, that number increases to over one-half million with \$800,000 for the FEI. Super Bowl is also in play. In addition, none of the historic events have been funded. Ms. Johnson stated that those are the funds being used out of the fund balance, or monies left over from prior years. In FY 19/20, after overspending for the fiscal year, there will be \$6.1 million left over to be used in 20/21. In 20/21, after overspending revenues for that fiscal year by \$544,000, they will have \$5.6 million left over.

Ms. Johnson confirmed the statement by Chair Dillenbeck that if they take another \$1.2 million out next year, in reality, they will be overspending by \$1.7 million. Ms. Johnson added that the ending fund balance would then be \$4.4 million. Mr. Geigomah stated that financial forecasting will also impact the totals. Some expenditures may not take place. In addition, for the event funding programs, community event matching, they may not spend all of the identified allocations. They are budget placeholders that may filter down to offset expenditures.

Mr. Geigomah addressed the Smith Travel Report for August. Occupancy is 70 percent, up approximately 1.8 percent for the year. Average daily rate is \$206.63, up 4.4 percent. RevPAR is \$145.58, up 6.3 percent compared to the same period last year.

For the Segment Trend Report, over the past 12 months, transient occupancy is up 40.7 percent, average daily rate is \$205.05, up 4.5 percent and RevPAR is up 4.6 percent. Group occupancy is up 4.8 percent at 28.6 percent. Average daily rate is \$213.99, up 3.9 percent. RevPAR is up almost 9 percent.

For the regional report over the past 12 months, the 11 northern properties were at 68.1 percent, down 1.4 percent, which is slightly improved over the past few months. The Downtown area is doing fairly well in terms of occupancy at 75.7 percent, up 2.7 percent.

Commissioner McKenzie noted that group occupancy is up 4.8 percent, which a tribute to Experience Scottsdale. However, there is a concern in looking at the trailing three years, in that transient is only up 0.1 percent. In prior years, it has been up 2.3 and 5 percent. Not shown on the report is that a large supply of limited service hotels is coming online on the Native American Reservation land. This will consist of 500 to 800 or more rooms. Mr. Geigomah stated that upcoming reports may include updated statistics of rooms in the pipeline. Chair Dillenbeck stated that she just read a report that there will be 1,100 hotel rooms in Salt River.

9. Public Comment

Commissioner Alspaugh thanked staff for the tickets to the Taco Festival. She attended with her husband and found it easy to access the venue. The food was excellent and she noted the presence of officers working the event. She noted that there did not appear to be recycling being done during the event. There may be an opportunity to implement recycling at future events. Mr. Geiogamah stated that he would follow up with Mr. Dygert on how this is handled at WestWorld.

10. Identification of Future Agenda Items

Mr. Geiogamah stated that a potential new event, Jazz Festival may be presented in November. In addition, the Arizona Super Bowl host committee may also provide an update or a funding request. The next regular meeting is scheduled for November 19.

11. Adjournment

With no further business to discuss, being duly moved by Commissioner Henry and seconded by Commissioner Alspaugh, the meeting adjourned at 9:12 a.m.

AYES: Chair Dillenbeck, Vice Chair Hill, Commissioners Alspaugh, Henry, McKenzie, Newman and Winter

NAYS: None

SUBMITTED BY:

eScribers, LLC